

SENATE BUDGET COMMITTEE
DEMOCRATIC CAUCUS
KENT CONRAD, RANKING MEMBER

FOR IMMEDIATE RELEASE
January 25, 2001

Contact: Stu Nagurka or Steve Posner
(202) 224-0642

SENATE BUDGET COMMITTEE RANKING DEMOCRAT CALLS FOR FISCAL DISCIPLINE

Senator Conrad: Debt Reduction Must Remain Priority; Reasonable Tax Cut Appropriate

Washington - Senator Kent Conrad, the Ranking Democrat on the Senate Budget Committee, called again for fiscal discipline as Congress begins to map out the nation's future budget priorities. Speaking before a Senate Budget Committee hearing with Federal Reserve Chairman Alan Greenspan, Conrad urged his colleagues to continue using budget surpluses to pay down the national debt, to support a reasonable tax cut and to meet bipartisan high priority domestic needs such as defense, education and prescription drugs.

Specifically, Conrad warned against President Bush's \$1.6 trillion tax cut proposal, noting that such a large tax cut would put our economic progress at risk, and that interest rate cuts by the Federal Reserve would be a far more effective tool to address any economic slowdown.

"It is not a question of whether we should or should not have a tax cut – we will cut taxes," said Senator Conrad. "What we can't afford is an irrational tax cut that is so large that it prevents us from strengthening Social Security, funding high priority domestic needs such as education, health care and defense and which could threaten to put us back in the deficit ditch we just climbed out of."

"The idea that fiscal restraint is no longer needed just opens the door to those who advocate massive tax cuts and massive new spending programs that could undermine everything we have accomplished in the last 8 years," Conrad said.

Conrad emphasized that the unprecedented economic success of the last 8 years was due, in large part, to the policy of fiscal discipline promoted by the Clinton Administration. By reducing our nation's debt, capital has been freed up for private investment, allowing the Federal Reserve to lower interest rates and creating a virtuous cycle of higher productivity, a growing economy, and ever-larger budget surpluses.

- MORE -

Conrad also cautioned against assuming annual surpluses will continue to grow indefinitely, and noted the unpredictability of making long-term economic forecasts. “If we think the era of surpluses is permanent, we are only fooling ourselves,” warned Conrad.

Conrad further noted the importance of paying down debt to prepare for the retirement of the baby-boomers. “A large tax cut over the next 10 years that might seem affordable to some based on current budget projections looks much less attractive in the longer-term context,” Conrad added.

Conrad also noted that even under the most favorable economic projections, Bush’s tax proposal fails to leave room for many of the tax and budget priorities that already have bipartisan support in Congress, such as:

- strengthening Social Security,
- a Medicare prescription drug benefit,
- elimination of the marriage penalty,
- increased defense spending,
- increased education spending, and
- disaster assistance for farmers.

###